



TEXAS ANIMAL HEALTH COMMISSION
AUSTIN, TEXAS

ANNUAL FINANCIAL REPORT
August 31, 2011

Dee B. Ellis, D.V.M., M.P.A.
Executive Director

ANNUAL FINANCIAL REPORT
TEXAS ANIMAL HEALTH COMMISSION
Austin, Texas
For The Fiscal Year Ended August 31, 2011

DEE B. ELLIS, D.V.M., M.P.A.
EXECUTIVE DIRECTOR



TEXAS ANIMAL HEALTH COMMISSION

Ernie Morales
Chairman

Dee B. Ellis, D.V.M., M.P.A.
Executive Director

November 8, 2011

Honorable Rick Perry, Governor
Honorable Susan Combs, Texas Comptroller
John O'Brien, Director, Legislative Budget Board
John Keel, CPA, State Auditor

Lady and Gentlemen:

We are pleased to submit the annual financial report of the Texas Animal Health Commission for the year ended 08/31/11, in compliance with Texas Government Code Annotated, Section 2101.011, and in accordance with the requirements established by the Comptroller of Public accounts.

Due to the statewide requirements embedded in Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, the Comptroller of Public Accounts does not require the accompanying annual financial report to comply with all the requirements in this statement. The financial report will be considered for audit by the state auditor as part of the audit of the State of Texas *Comprehensive Annual Financial Report* (CAFR); therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

If you have any questions, please contact Debbie Metzler, Director of Financial Services, at 719-0754. Ms. Metzler may also be contacted for questions related to the Schedule of Expenditures of Federal Awards.

Sincerely,

Dee B. Ellis, D.V.M., M.P.A.
Executive Director

DE:mh

Enclosure

cc: Legislative Reference Library
Texas State Library
TAHC Commissioners

Brandon Bouma
Randy C. Brown
William Edmiston, Jr., D.V.M.
Ken Jordan
Thomas G. Kezar
Coleman H. Locke

COMMISSIONERS:

Charles E. "Chuck" Real
Ralph Simmons
Mike Vickers, D.V.M.
Mark A. Wheelis
Beau White
R. W. "Dick" Winters, Jr.

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TEXAS ANIMAL HEALTH COMMISSION (554)

EXHIBIT I
COMBINED BALANCE SHEET/STATEMENT OF NET ASSETS - GOVERNMENTAL FUNDS
For the Fiscal Ended August 31, 2011

	General Funds	Governmental Funds Total	Capital Assets Adjustments	Long-Term Liabilities Adjustments	Statement Of Net Assets
<u>ASSETS</u>					
Current Assets:	\$	\$	\$	\$	\$
Cash (Note 3)					
Petty Cash Fund	6,500.00	6,500.00	0.00	0.00	6,500.00
Travel Advance Fund	25,000.00	25,000.00	0.00	0.00	25,000.00
Legislative Appropriations	1,469,860.13	1,469,860.13	0.00	0.00	1,469,860.13
Receivables from:					
Due from Other Agencies	0.00	0.00	0.00	0.00	0.00
Federal Receivable-Unbilled	(6,842.50)	(6,842.50)	0.00	0.00	(6,842.50)
Consumable Inventories	<u>180,957.22</u>	<u>180,957.22</u>	<u>0.00</u>	<u>0.00</u>	<u>180,957.22</u>
Total Current Assets	<u>1,675,474.85</u>	<u>1,675,474.85</u>	<u>0.00</u>	<u>0.00</u>	<u>1,675,474.85</u>
Non-Current Assets:					
Depreciable: (Note 2)					
Furniture and Equipment	0.00	0.00	556,997.39	0.00	556,997.39
Less Accumulated Depreciation	0.00	0.00	(355,010.98)	0.00	(355,010.98)
Vehicle, Boats and Aircraft	0.00	0.00	766,883.59	0.00	766,883.59
Less Accumulated Depreciation	<u>0.00</u>	<u>0.00</u>	<u>(406,800.49)</u>	<u>0.00</u>	<u>(406,800.49)</u>
Total Non-Current Assets	<u>0.00</u>	<u>0.00</u>	<u>562,069.51</u>	<u>0.00</u>	<u>562,069.51</u>
TOTAL ASSETS	<u>\$1,675,474.85</u>	<u>\$1,675,474.85</u>	<u>\$562,069.51</u>	<u>\$0.00</u>	<u>\$2,237,544.36</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities					
Current Liabilities:					
Payables from:					
Accounts	241,314.18	241,314.18	0.00	0.00	241,314.18
Payroll	827,367.58	827,367.58	0.00	0.00	827,367.58
Due to Other Agencies	0.00	0.00	0.00	0.00	0.00
Deferred Revenue	0.00	0.00	0.00	0.00	0.00
Employees Compensable Leave (Note 5)	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>693,813.74</u>	<u>693,813.74</u>
Total Current Liabilities	<u>1,068,681.76</u>	<u>1,068,681.76</u>	<u>0.00</u>	<u>693,813.74</u>	<u>1,762,495.50</u>
Non-Current Liabilities:					
Employees Compensable Leave (Note 5)	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>663,852.56</u>	<u>663,852.56</u>
Total Non-Current Liabilities	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>663,852.56</u>	<u>663,852.56</u>
TOTAL LIABILITIES	<u>\$1,068,681.76</u>	<u>\$1,068,681.76</u>	<u>\$0.00</u>	<u>\$1,357,666.30</u>	<u>\$2,426,348.06</u>
<u>FUND FINANCIAL STATEMENT</u>					
Fund Balances (Deficits):					
Reserved for:					
Encumbrances	66,826.77	66,826.77	0.00	0.00	66,826.77
Imprest	31,500.00	31,500.00	0.00	0.00	31,500.00
Consumable Inventories	180,957.22	180,957.22	0.00	0.00	180,957.22
Undesignated	<u>349,824.84</u>	<u>349,824.84</u>	<u>0.00</u>	<u>0.00</u>	<u>349,824.84</u>
Total Fund Balances	<u>629,108.83</u>	<u>629,108.83</u>	<u>0.00</u>	<u>0.00</u>	<u>629,108.83</u>
TOTAL LIABILITIES & FUND BALANCES	<u>\$1,697,790.59</u>	<u>\$1,697,790.59</u>			
<u>GOVERNMENT-WIDE STATEMENT OF NET ASSETS</u>					
Net Assets:					
Invested in Capital Assets, Net of Related Debt			425,689.04	0.00	425,689.04
Unrestricted			0.00	<u>(1,357,666.30)</u>	<u>(1,357,666.30)</u>
TOTAL NET ASSETS			<u>\$425,689.04</u>	<u>(\$1,357,666.30)</u>	<u>(\$302,868.43)</u>

The accompanying notes to the financial Statements are an integral part of this statement

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TEXAS ANIMAL HEALTH COMMISSION (554)

EXHIBIT II
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES/STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended August 31, 2011

	General Funds	Governmental Funds Total	Capital Assets Adjustments	Long-Term Liabilities Adjustments	Statement of Activities
Revenues:					
Legislative Appropriations:	\$	\$	\$	\$	\$
Original Appropriations (GR)	9,673,749.00	9,673,749.00	0.00	0.00	9,673,749.00
Additional Appropriations (GR)	2,158,544.87	2,158,544.87	0.00	0.00	2,158,544.87
Federal Revenues-(PR-Operating or Capital)	3,743,214.23	3,743,214.23	0.00	0.00	3,743,214.23
Federal Grant Pass-Through Revenue (GR)	313,124.80	313,124.80	0.00	0.00	313,124.80
Licenses, Fees & Permits (PR)	<u>43,998.80</u>	<u>43,998.80</u>	<u>0.00</u>	<u>0.00</u>	<u>43,998.80</u>
Total Revenues	<u>15,932,631.70</u>	<u>15,932,631.70</u>	<u>0.00</u>	<u>0.00</u>	<u>15,932,631.70</u>
Expenditures:					
Salaries and Wages	8,379,202.00	8,379,202.00	0.00	119,770.77	8,498,972.77
Payroll Related Costs	2,347,930.66	2,347,930.66	0.00	0.00	2,347,930.66
Professional Fees & Services	43,917.06	43,917.06	0.00	0.00	43,917.06
Travel	686,089.16	686,089.16	0.00	0.00	686,089.16
Materials and Supplies	710,952.59	710,952.59	0.00	0.00	710,952.59
Communication and Utilities	323,164.75	323,164.75	0.00	0.00	323,164.75
Repairs and Maintenance	90,853.70	90,853.70	0.00	0.00	90,853.70
Rentals and Leases	442,485.46	442,485.46	0.00	0.00	442,485.46
Printing and Reproduction	18,304.23	18,304.23	0.00	0.00	18,304.23
Judgement Settlement other Legal Fee	0.00	0.00	0.00	0.00	0.00
Federal Grant Pass-Through Expenditure	40,825.40	40,825.40	0.00	0.00	40,825.40
Grants to Community Service Programs	0.00	0.00	0.00	0.00	0.00
Other Operating Expenditures	2,601,471.11	2,601,471.11	0.00	0.00	2,601,471.11
Capital Outlay	330,260.19	330,260.19	(274,291.82)	0.00	55,968.37
Depreciation Expense	<u>0.00</u>	<u>0.00</u>	<u>137,911.35</u>	<u>0.00</u>	<u>137,911.35</u>
Total Expenditures	<u>16,015,456.31</u>	<u>16,015,456.31</u>	<u>(136,380.47)</u>	<u>119,770.77</u>	<u>15,998,846.61</u>
Excess (Deficiency) Revenues over Expenditures	<u>(82,824.61)</u>	<u>(82,824.61)</u>	<u>136,380.47</u>	<u>(119,770.77)</u>	<u>(66,214.91)</u>
Other Financing Sources (Uses):					
Sale of Capital Assets	1,890.00	1,890.00	0.00	0.00	1,890.00
Transfer Out	(335,857.00)	(335,857.00)	0.00	0.00	(335,857.00)
Lapsed Committed Revenue Appropriations	140.00	140.00	0.00	0.00	140.00
Legislative Transfer Out (Agy 902, D23 Fund 0001)	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Other Financing Sources (Uses)	<u>(333,827.00)</u>	<u>(333,827.00)</u>	<u>0.00</u>	<u>0.00</u>	<u>(333,827.00)</u>
Net Change in Fund Balances/Net Assets	<u>(416,651.61)</u>	<u>(416,651.61)</u>	<u>136,380.47</u>	<u>(119,770.77)</u>	<u>(400,041.91)</u>
Fund Financial Statement-Fund Balances					
Fund Balances September 1, 2010	1,023,444.70	1,023,444.70	0.00	0.00	1,023,444.70
Appropriations Lapsed	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Fund Balances, August 31, 2011	<u>\$606,793.09</u>	<u>\$606,793.09</u>			<u>623,402.79</u>
Government-Wide Statement-Net Assets					
Net Assets/Net Change in Net Assets			<u>136,380.47</u>	<u>(119,770.77)</u>	
Net Assets, September 1, 2010			425,689.04	(1,357,660.30)	(931,971.26)
Restatements			<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Net Assets, September 1, 2010, as Restated			<u>425,689.04</u>	<u>(1,357,660.30)</u>	<u>(931,971.26)</u>
Net Assets-August 31, 2011			<u>\$562,069.51</u>	<u>(\$1,237,889.53)</u>	<u>(\$308,568.47)</u>

The accompanying notes to the financial Statements are an integral part of this statement

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EXHIBIT VI
COMBINED STATEMENT OF NET ASSETS -FIDUCIARY FUNDS
For the Fiscal Year Ended August 31, 2011

	Agency Funds (Exhibit J-1)	Totals
	\$	\$
ASSETS		
Cash and Cash Equivalents		
Cash in State Treasury	0.00	0.00
TOTAL ASSETS	0.00	0.00
LIABILITIES		
Payables from:		
Funds Held for Others	0.00	0.00
TOTAL LIABILITIES	0.00	0.00

The accompanying notes to the financial Statements are an integral part of this statement

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TEXAS ANIMAL HEALTH COMMISSION (554)

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ENTITY

The Texas Animal Health Commission is an agency of the State of Texas and its financial records comply with state statutes and regulations. This includes compliance with the Texas Comptroller of Public Accounts' *Reporting Requirements for Annual Financial Reports of State Agencies and Universities*.

The mission of the Texas Animal Health Commission is to protect the animal industry from, and/or mitigate the effects of domestic, foreign and emerging diseases; to increase the marketability of Texas livestock commodities at the state, national and international level; to promote and ensure animal health and productivity; to protect human health from animal diseases and conditions that are transmissible to people; and, to prepare for and respond to emergency situations involving animals by conducting agency business in a responsive, cooperative and transparent manner.

Due to the statewide requirements embedded in GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis - for State and Local Governments*, the Comptroller of Public Accounts does not require the accompanying annual financial report to comply with all the requirements in this statement. The financial report will be considered for audit by the state auditor as part of the audit of the State of Texas Comprehensive Annual Financial Report; therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

BLENDED COMPONENT UNITS

The Texas Animal Health Commission does not have any blended component units.

DISCRETELY PRESENTED COMPONENT UNITS

No component units have been identified which should have been reported.

FUND STRUCTURE

The accompanying financial statements are presented on the basis of funds, each of which is considered a separate accounting entity.

GOVERNMENTAL FUND TYPES & GOVERNMENT-WIDE ADJUSTMENT FUND TYPES

GENERAL REVENUE FUNDS

The General Revenue Fund (Fund 0001) is used to account for all financial resources of the state except those required to be accounted for in another fund.

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CAPITAL ASSET ADJUSTMENT FUND TYPE

The Capital Asset Adjustment Fund (Fund 0998) will be used to convert governmental fund types' capital assets from modified accrual to full accrual.

LONG-TERM LIABILITIES ADJUSTMENT FUND TYPE

The Long-Term Liabilities Adjustment Fund (Fund 0997) is used to convert governmental fund types' debt from modified accrual to full accrual.

FIDUCIARY FUND TYPES

Fiduciary funds account for assets held by the state in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. When assets are held under the terms of a formal trust agreement, either a pension trust fund or a private purpose trust fund is used.

AGENCY FUNDS

Agency funds (Fund 0001) are used to account for assets the government holds on behalf of others in a purely custodial capacity. Agency funds involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

COMPONENT UNITS

No component units have been identified which should have been reported.

BASIS OF ACCOUNTING

The basis of accounting determines when revenues and expenditures or expenses are recognized in the accounts reported in the financial statements. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

Governmental fund types that build the fund financial statements are accounted for using the modified accrual method basis of accounting. Under the modified accrual basis, revenues are recognized in the period in which they become both measurable and available to finance operations of the fiscal year or liquidate liabilities existing at fiscal year-end. The State of Texas considers receivables collected within sixty days after year-end to be available and recognizes them as revenues of the current year for fund financial statements prepared on the modified accrual basis. Expenditures and other uses of financial resources are recognized when the related liability is incurred.

Governmental adjustment fund types that will build the Government-wide Financial Statements are accounted for using the full accrual basis of accounting. This includes capital assets, accumulated

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TEXAS ANIMAL HEALTH COMMISSION (554)

depreciation, unpaid Employee Compensable Leave, the unmatured debt service (principal and interest) on general long-term liabilities, long-term capital leases, long-term claims and judgments, and full accrual revenues and expenses. The activity will be recognized in these fund types.

Proprietary funds, pension trust funds, external investment trust funds, and private-purpose trust funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred. Proprietary funds distinguish operating from non-operating items. Operating revenues and expenses result from providing services or producing and delivering goods in connection with the proprietary funds principal ongoing operations. Operating expenses for the enterprise and internal services funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

BUDGETS AND BUDGETARY ACCOUNTING

The budget is prepared biennially and represents appropriations authorized by the legislature and approved by the Governor (the General Appropriations Act).

Unencumbered appropriations are generally subject to lapse 60 days after the end of the fiscal year for which they were appropriated.

ASSETS, LIABILITIES, AND FUND BALANCES/NET ASSETS

ASSETS

CASH AND CASH EQUIVALENTS

Short-term highly liquid investments with an original maturity of three months or less are considered cash equivalents.

INVENTORIES AND PREPAID ITEMS

Inventories include both merchandise inventories on hand for sale and consumable inventories. Inventories are valued at cost, generally using the last-in, first-out method. The consumption method of accounting is used to account for inventories and prepaid items that appear in the governmental and proprietary fund types. The cost of these items is expensed when the items are consumed.

CAPITAL ASSETS

Assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year are capitalized. These assets are capitalized at cost or, if purchased, at appraised fair value as of the date of acquisition. Purchases of assets by governmental funds are reported as expenditures. Depreciation is reported on all "exhaustible" assets. "Inexhaustible" assets, such as works of art and

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TEXAS ANIMAL HEALTH COMMISSION (554)

historical treasures, are not depreciated. Road and highway infrastructure is reported on the modified accrual basis. Assets are depreciated over the estimated useful life of the asset using the straight-line method.

All capital assets acquired by proprietary funds or trust funds are reported at cost or estimated historical cost if actual historical cost is not available. Donated assets are reported at fair value on the acquisition date. Depreciation is charged to operations over the estimated useful life of each asset using the straight-line method.

LIABILITIES

ACCOUNTS PAYABLE

Accounts Payable represents the liability for the value of assets or services received at the balance sheet date for which payment is pending.

OTHER PAYABLES – CURRENT AND NONCURRENT

The disaggregation of other payables as reported in the financial statements is shown in Note 24, "Disaggregation of Receivables and Payables Balances."

EMPLOYEES' COMPENSABLE LEAVE BALANCES

Employees' compensable leave balances represent the liability that becomes "due" upon the occurrence of relevant events such as resignations, retirements, and uses of leave balances by covered employees. Liabilities are reported separately as either current or noncurrent in the statement of net assets. These obligations are normally paid from the same funding source from which each employee's salary or wage compensation was paid.

FUND BALANCE/NET ASSETS

The difference between fund assets and liabilities is "net assets" on the government-wide, proprietary and fiduciary fund statements; and the "fund balance" is the difference between fund assets and liabilities on the government fund statements.

RESERVATIONS OF FUND BALANCE

Fund balances for governmental funds are classified as either reserved or unreserved in the fund financial statements. Reservations are legally restricted to a specific future use or not available for expenditure.

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TEXAS ANIMAL HEALTH COMMISSION (554)

RESERVED FOR ENCUMBRANCES

This represents commitments of the value of contracts awarded or assets ordered prior to year-end but not received as of that date. Encumbrances are not included with expenditures or liabilities. They represent current resources designated for specific expenditures in subsequent operating periods.

RESERVED FOR CONSUMABLE INVENTORIES

This represents the amount of supplies, postage, and prepaid assets to be used in the next fiscal year.

UNRESERVED/UNDESIGNATED

This represents the unappropriated balance at year-end.

INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances for bond, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

RESTRICTED NET ASSETS

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

UNRESTRICTED NET ASSETS

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources, which are imposed by management but can be removed or modified.

INTERFUND ACTIVITIES AND BALANCES

The agency has the following types of transactions between funds:

- 1) Transfers: Legally required transfers that are reported when incurred as "transfers in" by the recipient fund and as "transfers out" by the disbursing fund.
- 2) Reimbursements: Reimbursements are repayments from funds responsible for expenditures or expenses to funds that made the actual payment. Reimbursements of expenditures made by one fund for another that are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund. Reimbursements are not displayed in the financial statements.

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- 3) Interfund receivables and payables: Interfund loans are reported as interfund receivables and payables. If repayment is due during the current year or soon thereafter, the balance is classified as "current." Balances for repayment due in two (or more) years are classified as "noncurrent".
- 4) Interfund Sales and Purchases: Charges or collections for services rendered by one fund to another that are recorded as revenues of the recipient fund and expenditures or expenses of the disbursing fund.

The composition of the agency's interfund activities and balances are presented in Note 12.

NOTE 2: CAPITAL ASSETS

Revenue received from the sale of surplus property has been transferred to unappropriated general revenue in accordance with HB 7, Sec. 20.

A summary of changes in capital assets for the year ended August 31, 2011, is presented below:

						PRIMARY GOVERNMENT				
						Balance				Balance
						9/1/2010	Adjustments	Additons	Deletions	8/31/2011
GOVERNMENTAL ACTIVITIES										
Depreciable Assets										
Building and Building Improvements										0.00
Infrastructure										0.00
Facilities & Other Improvements										0.00
Furniture and Equipment						651,229.69	(9,020.00)	37,585.84	(122,798.14)	556,997.39
Vehicles, Boats & Aircraft						558,070.96		239,234.63	(30,422.00)	766,883.59
Other Assets										0.00
Total Depreciable Assets at Historical Cost						1,209,300.65	(9,020.00)	276,820.47	(153,220.14)	1,323,880.98
Less Accumulated Depreciation for:										
Building and Building Improvements										0.00
Infrastructure										0.00
Facilities & Other Improvements										0.00
Furniture and Equipment						(436,180.47)	6,491.35	(48,120.00)	122,798.14	(355,010.98)
Vehicles, Boats & Aircraft						(347,431.14)	0.00	(89,791.35)	30,422.00	(406,800.49)
Other Capital Assets										0.00
Total Accumulated Depreciation						(783,611.61)	6,491.35	(137,911.35)	153,220.14	(761,811.47)
Depreciable Assets, Net						425,689.04	(2,528.65)	138,909.12	0.00	562,069.51
Amortizable Assets - Intangible:										
Land use Rights - Term										0.00
Computer Software - Intangible						61206.73				61,206.73
Other Intangible Capital Assets - Term										0.00
Total Intangible Assets at Historical Cost						61,206.73	0.00	0.00	0.00	61,206.73
Less Accumulated Amortization for:										
Land use Rights - Term										0.00
Computer Software - Intangible						(61206.73)				(61,206.73)
Other Intangible Capital Assets - Term										0.00
Total Accumulated Amortization						(61,206.73)	0.00	0.00	0.00	(61,206.73)
Amortizable Assets - Net						0.00	0.00	0.00	0.00	0.00
Governmental Activities Capital Assets, Net Assets						425,689.04	(2,528.65)	138,909.12	0.00	562,069.51

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NOTE 3: DEPOSITS, INVESTMENTS, AND REPURCHASE AGREEMENTS

Texas Animal Health Commission is authorized to maintain travel advance and petty cash funds for the central office, and petty cash funds for each of seven field offices, and the four laboratories.

Texas Animal Health Commission is authorized by statute to make investments following the "prudent person rule." There were no significant violations of legal provisions during the period.

DEPOSITS OF CASH IN BANK

As of August 31, 2011, the carrying amount of deposits was \$31,500.00 as presented below.

CASH IN BANK - CARRYING AMOUNT	\$31,500.00
Less: Certificates of Deposit included in carrying amount and reported as Cash	0.00
Less: Uninvested Securities Lending Cash Collateral included in carrying amount and reported as Securities Lending Collateral	0.00
Less: Securities Lending CD Collateral included in carrying amount and reported as Securities Lending Collateral	<u>0.00</u>
Total Cash in Bank per AFR	\$31,500.00
Governmental Funds Current Assets Cash in Bank	\$31,500.00

These amounts consist of all cash in local banks. These amounts are included on the combined statement of net assets as part of the "cash and cash equivalents" account.

As of August 31, 2011, the total bank balance was as follows.

Governmental and Business-Type Activities	\$31,500.00
---	-------------

INVESTMENTS

The Texas Animal Health Commission does not participate in investments.

REVERSE REPURCHASE AGREEMENTS

The Texas Animal Health Commission does not participate in the reverse repurchase agreements.

SECURITIES LENDING

The Texas Animal Health Commission does not participate in securities lending.

DERIVATIVE INVESTING

The Texas Animal Health Commission does not participate in derivative investing.

NOTE 4: SHORT-TERM DEBT

Not applicable.

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NOTE 5: LONG-TERM LIABILITIES

CHANGES IN LONG-TERM LIABILITIES

During the year ended August 31, 2011, the following changes occurred in liabilities.

Governmental Activities	Balance 9/1/2010	Additions	Reductions	Balance 8/31/2011	Amounts Due Within One Year
Claims/Judgements	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Compensable Leave	<u>\$1,477,437.07</u>	<u>\$1,118,209.68</u>	<u>(\$1,237,980.45)</u>	<u>\$1,357,666.30</u>	<u>\$693,813.74</u>
Total Gov Activities	<u>\$1,477,437.07</u>	<u>\$1,118,209.68</u>	<u>(\$1,237,980.45)</u>	<u>\$1,357,666.30</u>	<u>\$693,813.74</u>

NOTES AND LOANS PAYABLE

The Texas Animal Health Commission does not participate in Notes and Loans Payable.

CLAIMS AND JUDGMENTS

Not applicable.

EMPLOYEES' COMPENSABLE LEAVE

If a state employee has had continuous employment with the state for at least six months, the state employee is entitled to be paid for all unused vacation time accrued in the event of the employee's resignation, dismissal, or separation from state employment. Expenditures for accumulated annual leave balances are recognized in the period paid or taken in governmental fund types. For these fund types, the liability for unpaid benefits is recorded in the statement of net assets. Both an expense and a liability for business-type activities are recorded in the proprietary funds as the benefits accrue to employees. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits. This obligation is usually paid from the same funding source(s) from which the employee's salary or wage compensation was paid.

NOTE 6: BONDED INDEBTEDNESS

Not applicable.

NOTE 7: DERIVATIVE INSTRUMENTS

Not applicable.

NOTE 8: LEASES

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CAPITAL LEASES

Not applicable.

OPERATING LEASES

Included in the expenditures reported in the financial statements are the following amounts of rent paid or due under operating lease obligations:

<u>Fund Type</u>	<u>Amount</u>
General Fund	\$391,265.28

Future minimum lease rental payments under non-cancelable operating leases having an initial term in excess of one year are as follows:

YEAR ENDED AUGUST 31	
2012	\$303,863.60
2013	299,463.60
2014	179,913.85
2015	82,505.88
2016	43,932.52
2017-2021	.00
2022-2026	.00
TOTAL MINIMUM FUTURE LEASE PAYMENTS	\$909,679.45

NOTE 9: PENSION PLANS

Not applicable.

NOTE 10: DEFERRED COMPENSATION (ADMINISTERING AGENCIES ONLY)

Not applicable.

NOTE 11: POST EMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS (UT, A&M, TRS, AND ERS ONLY)

Not applicable.

NOTE 12: INTERFUND BALANCES AND TRANSACTIONS

The Texas Animal Health Commission experienced routine transfers with other state agencies, which were consistent with the activities of the fund making the transfer.

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Individual balances and activity as of August 31, 2011, follows:

Required Note 12 Presentation	Legislative Transfer In	Legislative Transfer Out
General (01)		
Appd Fund 0001, D23 Fund 0001		
Agy 902, D23 Fund 0001	<u>\$0.00</u>	<u>\$335,857.00</u>
Total Legislative Transfers	<u>\$0.00</u>	<u>\$335,857.00</u>

NOTE 13: CONTINUANCE SUBJECT TO REVIEW

Under the Texas Sunset Act, the Agency will be abolished effective September 1, 2019, unless continued in existence by the 86th Legislature as provided by the Act. If abolished, the agency may continue until September 1, 2020 to close out its operations.

NOTE 14: ADJUSTMENTS TO FUND BALANCES/NET ASSETS

Not applicable.

NOTE 15: CONTINGENCIES AND COMMITMENTS

The Texas Animal Health Commission has received several federal grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to a request for reimbursements to grantor agencies for expenditures disallowed under the terms of the grant. Based on prior experience, management believes such disallowances, if any, will be immaterial.

NOTE 16: SUBSEQUENT EVENTS

Not applicable.

NOTE 17: RISK MANAGEMENT

The Texas Animal Health Commission assumes substantially all risks associated with tort and liability claims due to the performance of its duties. Currently the only purchase of insurance is for commercial auto insurance. The agency is not involved in any risk pools with other government entities.

NOTE 18: MANAGEMENT DISCUSSION AND ANALYSIS

Not applicable.

NOTE 19: THE FINANCIAL REPORTING ENTITY

Not applicable.

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NOTE 20: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Not applicable.

NOTE 21: N/A

Not applicable.

NOTE 22: DONOR-RESTRICTED ENDOWMENTS

Not applicable.

NOTE 23: EXTRAORDINARY AND SPECIAL ITEMS

Not applicable.

NOTE 24: DISAGGREGATION OF RECEIVABLE AND PAYABLE BALANCES

Not applicable.

NOTE 25: TERMINATION BENEFITS

Not applicable.

NOTE 26: SEGMENT INFORMATION

Not applicable.

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EXHIBIT J-1

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
AGENCY FUNDS

For the Fiscal Year Ended August 31, 2011

	<u>Balances</u> <u>September 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances</u> <u>August 31, 2011</u>
<u>CHILD SUPPORT (0807) U/F (8070)</u>				
Assets:				
Cash in State Treasury	<u>\$0.00</u>	<u>\$2,434.08</u>	<u>\$2,434.08</u>	<u>\$0.00</u>
TOTAL ASSETS	<u>\$0.00</u>	<u>\$2,434.08</u>	<u>\$2,434.08</u>	<u>\$0.00</u>
Liabilities:				
Funds Held for Others	<u>\$0.00</u>	<u>\$2,434.08</u>	<u>\$2,434.08</u>	<u>\$0.00</u>
TOTAL LIABILITIES	<u>\$0.00</u>	<u>\$2,434.08</u>	<u>\$2,434.08</u>	<u>\$0.00</u>
<u>EMPLOYEE'S SAVINGS BONDS ACCOUNT (0901) U/F (0901)</u>				
Assets:				
Cash in State Treasury	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>
TOTAL ASSETS	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>
Liabilities:				
Funds Held for Others	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>
TOTAL LIABILITIES	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>
<u>TEXSAVER HOLD ACCOUNT (0942) U/F (0942)</u>				
Assets:				
Cash in State Treasury	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>
TOTAL ASSETS	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>
Liabilities:				
Funds Held for Others	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>
TOTAL LIABILITIES	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>
<u>TOTAL - ALL AGENCY FUNDS</u>				
Assets:				
Cash in State Treasury	<u>\$0.00</u>	<u>\$2,434.08</u>	<u>\$2,434.08</u>	<u>\$0.00</u>
TOTAL ASSETS	<u>\$0.00</u>	<u>\$2,434.08</u>	<u>\$2,434.08</u>	<u>\$0.00</u>
Liabilities:				
Funds Held for Others	<u>\$0.00</u>	<u>\$2,434.08</u>	<u>\$2,434.08</u>	<u>\$0.00</u>
TOTAL LIABILITIES	<u>\$0.00</u>	<u>\$2,434.08</u>	<u>\$2,434.08</u>	<u>\$0.00</u>

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SCHEDULE 1A

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended August 31, 2011

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	IDENTIFYING NUMBER	Pass	Through From
			AGY./ UNIV. #	AGENCIES OR UNIV. AMOUNT
U.S. Department of Agriculture:				
<u>Direct Programs:</u>				
Plant and Animal Disease, Pest Control and Animal Care	10.025			
Total U.S. Department of Agriculture				\$0.00
<u>Homeland Security Cluster</u>				
U. S. Department of Homeland Security				
<u>Pass Through From:</u>				
Homeland Security Grant Program	97.067			
<u>Pass Through From:</u>				
Texas Department of Public Safety			405	\$307,197.74
<u>Pass-Through To:</u>				
Texas A & M University (Main University)				
Total U.S. Department of Homeland Security				\$307,197.74
<u>Public Assistance Cluster</u>				
U. S. Department of Homeland Security				
<u>Pass Through From:</u>				
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036			
<u>Pass Through From:</u>				
Texas Department of Public Safety			405	\$5,927.06
Total Department of Homeland Security				\$5,927.06
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$313,124.80

Note 1: The Texas Animal Health Commission does not have Nonmonetary Assistance for Commodities/Surplus Property

Note 2: Below is a reconciliation of the total of federal pass through and federal expenditures as reported on the Schedule of Federal Financial Assistance to the total of federal revenues and federal grant pass through revenues as reported in the general-purpose financial statements. Generally, federal funds are not earned expended; therefore federal revenues equal federal expenditures for the reporting period.

Federal Revenues (Exh II)	\$3,743,214.23
Federal Pass Thru Revenue (Exh II)	\$313,124.80
Total Pass Thru and Expenditures per Federal Schedule	\$4,056,339.03

DIRECT PROGRAM AMOUNT	TOTAL PT FROM & DIRECT PROGRAM	Pass AGY./ UNIV. #	Through AGENCIES OR UNIV. AMOUNT	To NON-STATE ENTITIES AMOUNT	EXPENDITURES AMOUNT	TOTAL PT FROM & EXPENDITURES
\$3,743,214.23	\$3,743,214.23				\$3,743,214.23	\$3,743,214.23
<u>\$3,743,214.23</u>	<u>\$3,743,214.23</u>		<u>\$0.00</u>	<u>\$0.00</u>	<u>\$3,743,214.23</u>	<u>\$3,743,214.23</u>
	\$307,197.74				\$266,372.34	\$307,197.74
<u>\$0.00</u>	<u>\$307,197.74</u>	711	<u>\$40,825.40</u>	<u>\$0.00</u>	<u>\$266,372.34</u>	<u>\$307,197.74</u>
	\$5,927.06				\$5,927.06	\$5,927.06
<u>\$0.00</u>	<u>\$5,927.06</u>		<u>\$0.00</u>	<u>\$0.00</u>	<u>\$5,927.06</u>	<u>\$5,927.06</u>
<u>\$3,743,214.23</u>	<u>\$4,056,339.03</u>		<u>\$40,825.40</u>	<u>\$0.00</u>	<u>\$4,015,513.63</u>	<u>\$4,056,339.03</u>

Note 3: The Texas Animal Health Commission does not have Student Loans Processed and Administrative Cost Recovered.

Note 4: The Texas Animal Health Commission does not have Depository Libraries for Governmental Publications.

Note 5: The Texas Animal Health Commission does not have Unemployment Insurance Funds.

Note 6: The Texas Animal Health Commission does not have Rebates for the Special Supplemental Food Program for Women, Infants and Children

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ADDENDUM I

ORGANIZATION AND GENERAL COMMENTS

The Texas Animal Health Commission, originally called the Livestock Sanitary Commission, was created in 1893 to eradicate fever ticks. Subsequently, the Legislature broadened the scope of the Commission's responsibilities to include authority to prevent, control, and eradicate other livestock and poultry diseases recognized to be infectious, contagious, or communicable.

Administration of the Commission's programs is handled at the Austin central office. The Commission has divided the state into eight geographical areas, with a state veterinarian supervisor in each. The United States Department of Agriculture (USDA) cooperates with the Commission in local work and employs additional veterinarians and inspectors. Disease control and eradication programs are carried out on the local level through inspections of livestock at concentration points, individual herd or premise inspections and tests, and systematic area inspection and testing.

The Commission is composed of thirteen members, representing the livestock and poultry industries and the general public. Members are appointed by the governor to six-year terms. To ensure industry representation by the Commission, one member, qualified by experience, must be from each of the following fields: (1) practitioner of veterinary medicine; (2) dairy industry; (3) cattle raiser; (4) hog raiser; (5) sheep or goat raiser; (6) poultry raiser; (7) feed-lot industry; (8) equine industry; (9) livestock marketing industry; and (10) exotic livestock industry. The three remaining members represent the general public. Commissioners are entitled to \$30 per diem plus reimbursement for actual and necessary expenses incurred while performing official duties. Commission members serving at August 31, 2011, were:

<u>Name</u>	<u>Industry</u>	<u>Term Expires</u>
Ernesto A. Morales, Chairman, Devine	Feedlot	09/06/11
Randy C. Brown, Lubbock	General Public	09/06/13
Reta K. Dyess, Jacksonville	Dairy	09/06/11
William F. Edmiston, Jr., DVM, Eldorado	Sheep and Goat	09/06/13
Kenneth G. Jordan, San Saba	Livestock Market	09/06/13
Thomas G. Kezar, Dripping Springs	General Public	09/06/11
Coleman H. Locke, Wharton	Beef Cattle	09/06/15
Charles E. Real, Marion	Swine	09/06/13
Ralph Simmons, Center	Poultry	09/06/15
Michael L. Vickers, DVM, Falfurrias	Veterinary Profession	09/06/11
Mark A. Wheelis, Karnes City	Equine	09/06/13
Beau White, Rosanky	General Public	09/06/15
Richard W. Winters, Brady	Exotic Livestock & Fowl	09/06/13

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The Commission's key employees at August 31, 2011, were:

<u>Name</u>	<u>Title</u>
Dee Ellis, D.V.M., M.P.A.	Executive Director
Matt Cochran, D.V.M.	Assistant Executive Director for Administration
Terry Hensley, D.V.M.	Assistant Executive Director for Animal Health Programs
Andy Schwartz, D.V.M.	Assistant Executive Director for Epidemiology & Laboratories
Wallace E. Snelson	General Counsel

Region Offices:

Brad Williams, D.V.M.	Region Director, Amarillo
Mark Michalke, D.V.M.	Region Director, Hempstead
Maxwell Dow, D.V.M.	Region Director, Ft Worth
Gregory Hawkins, D.V.M.	Region Director, Mt Pleasant
Vacant	Region Director, Beeville
Pete Fincher, D.V.M.	Region Director, Lampasas
Tommy Barton, D.V.M.	Region Director, Rockdale
Amy Ramage	Interim Director of Laboratories

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ADDENDUM II

BALANCE SHEET COMMENTS

Exhibit I presents a combined balance sheet for the fund types of the Texas Animal Health Commission at August 31, 2011. The following comments expound on various elements of that exhibit.

Legislative Appropriations

Legislative appropriations consist of unexpended general revenue fund appropriation balances in the state treasury and federal cooperative agreement funds deposited to these appropriations.

Cash in State Treasury

The Commission sells Certificates of Veterinary Inspection and collects administrative penalties. These receipts, totaling \$407,155.00 was collected by the agency during fiscal year 2011 were deposited to unappropriated funds in the state treasury and swept by the Comptroller during the year.

US savings bonds may be purchased by the Commission's employees through authorized payroll deductions. The funds held for the purchase of bonds are deposited temporarily in the US savings bond account in the state treasury.

Transactions for agency funds for fiscal 2011 are shown in Exhibit J-1.

Cash in Bank- Travel Advance Fund

The Commission maintains a \$25,000.00 travel advance fund at Frost Bank.

Cash in Bank- Petty Cash Fund

The Austin office of the Commission maintains a \$1,000.00 petty cash fund at Frost Bank. Seven of the Commission's region offices and four of the laboratories maintain \$500.00 petty cash funds in local banks.

Consumable Supplies and Postage

Consumable supplies and postage on hand at August 31, 2011 were:

Insecticides	\$ 16,967.72
Field/Office Supplies	155,391.99
Postage	<u>8,597.51</u>
Total	<u>\$ 180,957.22</u>

Fixed Assets

Accounting policies with respect to fixed assets are presented in the notes to the financial statements.

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ADDENDUM III

COMMENTS ON OPERATIONS

The Statement of Revenues, Expenditures and Changes in Fund Balances for the year ended August 31, 2011, is presented in Exhibit II. The following comments provide supplemental information regarding fiscal operations.

The Commission's major programs for the control and eradication of livestock diseases are closely aligned with corresponding federal programs. TAHC receives Federal Funds from the Animal and Plant Health Inspection Service through the U.S. Department of Agriculture (USDA) and is part of cooperative agreements for the surveillance, control, and eradication of brucellosis; tuberculosis; trichomoniasis; Johne's disease; Texas fever ticks; classical swine fever in swine; transmissible spongiform encephalopathy disease such as scrapie in sheep and goats, chronic wasting disease in domestic cervidae, and bovine spongiform encephalopathy (mad cow disease) in cattle; and avian diseases such as low pathogenic avian influenza and high pathogenic avian influenza. Other federally funded cooperative agreements support swine health, Foreign Animal Disease Surveillance, and the National Animal Identification System programs. The agency's goal is to protect and enhance the health of Texas animal populations and to facilitate productivity and marketability while minimizing risks to human health. To accomplish this, the TAHC performs three primary functions: (1) Field Operations; (2) Diagnostic and Epidemiological Support; and (3) Promote Compliance.

A major Brucellosis program function of the agency is payment to outside entities for first point testing, a surveillance function accomplished by collecting and testing blood samples from cattle at the first point of concentration in marketing channels. The agency enters into a contract with livestock markets to test eligible cattle sold through their facilities. After the blood is collected, a card test is performed on the blood sample, which gives an initial indication of infection. Samples which test positive are subjected to a supplemental test. Blood samples collected are then sent to a State-Federal laboratory where further supplemental tests verify field test results. The Commission has established a rate of \$2.00 per head to be paid on each blood sample collected and is reimbursed by USDA, up to the maximum amount provided for in the cooperative agreement. If total cattle tested exceeds the estimated number of head provided for in the cooperative agreement, the state assumes 100 percent of the cost for the excess head of cattle. These payments are reported in Other Expenditures on Exhibit II.

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Effective August 1, 2011, the Texas Animal Health Commission (TAHC) no longer enforces the requirement that all test eligible (adult) cattle be brucellosis tested for a change of ownership within Texas. This will mean the cessation of government subsidized brucellosis testing at livestock markets. The TAHC determined that it will no longer have sufficient funding to pay for Brucellosis testing. In lieu of subsidized testing, voluntary testing is encouraged, and the TAHC State-Federal Laboratory will run these tests weekly. The Animal Health Commission recently began approval of a fee schedule for these voluntary, market brucellosis samples.

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Texas Animal Health Commission
Fiscal Year 2011



